

SECOND REGULAR SESSION  
[TRULY AGREED TO AND FINALLY PASSED]  
SENATE COMMITTEE SUBSTITUTE FOR

# SENATE BILL NO. 630

93RD GENERAL ASSEMBLY  
2006

3309S.03T

## AN ACT

To repeal section 137.106, RSMo, and to enact in lieu thereof one new section relating to the homestead preservation tax.

*Be it enacted by the General Assembly of the State of Missouri, as follows:*

Section A. Section 137.106, RSMo, is repealed and one new section enacted in lieu thereof, to be known as section 137.106, to read as follows:

137.106. 1. This section may be known and may be cited as "The Missouri Homestead Preservation Act".

2. As used in this section, the following terms shall mean:

(1) "Department", the department of revenue;

(2) "Director", the director of revenue;

(3) "Disabled", as such term is defined in section 135.010, RSMo;

(4) "Eligible owner", any individual owner of property who is sixty-five years old or older as of January first of the tax year in which the individual is claiming the credit or who is disabled, and who had an income of equal to or less than the maximum upper limit in the year prior to completing an application pursuant to [subsection 4 of] this section; **or**

**(a) In the case of a married couple owning property either jointly or as tenants by the entirety, or where only one spouse owns the property, such couple shall be considered an eligible taxpayer if both spouses have reached the age of sixty-five or if one spouse is disabled, or if one spouse is at least sixty-five years old and the other spouse is at least sixty years old, and the combined income of the couple in the year prior to completing an application pursuant to [subsection 4 of] this section did not exceed the maximum upper limit; or**

**(b) In the case of joint ownership by unmarried persons or**

**EXPLANATION—Matter enclosed in bold-faced brackets [thus] in this bill is not enacted and is intended to be omitted in the law.**

20 **ownership by tenancy in common by two or more unmarried persons,**  
21 **such owners shall be considered an eligible owner if each person with**  
22 **an ownership interest individually satisfies the eligibility requirements**  
23 **for an individual eligible owner under this section and the combined**  
24 **income of all individuals with an interest in the property is equal to or**  
25 **less than the maximum upper limit in the year prior to completing an**  
26 **application under this section. If any individual with an ownership**  
27 **interest in the property fails to satisfy the eligibility requirements of**  
28 **an individual eligible owner or if the combined income of all**  
29 **individuals with interest in the property exceeds the maximum upper**  
30 **limit, then all individuals with an ownership interest in such property**  
31 **shall be deemed ineligible owners regardless of such other individual's**  
32 **ability to individually meet the eligibility requirements; or**

33       (c) In the case of property held in trust, the eligible owner and recipient  
34 of the tax credit shall be the trust itself provided the previous owner of the  
35 homestead or the previous owner's spouse: is the settlor of the trust with respect  
36 to the homestead; currently resides in such homestead; and but for the transfer  
37 of such property would have satisfied the age, ownership, and maximum upper  
38 limit requirements for income as defined in subdivisions (7) and (8) of this  
39 subsection;

40 no individual shall be an eligible owner if the individual has not paid their  
41 property tax liability, if any, in full by the payment due date in any of the three  
42 prior tax years, except that a late payment of a property tax liability in any prior  
43 year shall not disqualify a potential eligible owner if such owner paid in full the  
44 tax liability and any and all penalties, additions and interest that arose as a  
45 result of such late payment; no individual shall be an eligible owner if such  
46 person filed a valid claim for the senior citizens property tax relief credit  
47 pursuant to sections 135.010 to 135.035, RSMo;

48       (5) "Homestead", as such term is defined pursuant to section 135.010,  
49 RSMo, except as limited by provisions of this section to the contrary. No property  
50 shall be considered a homestead if such property was improved since the most  
51 recent annual assessment by more than five percent of the prior year appraised  
52 value, except where an eligible owner of the property has made such  
53 improvements to accommodate a disabled person;

54       (6) "Homestead exemption limit", a percentage increase, rounded to the  
55 nearest hundredth of a percent, which shall be equal to the percentage increase

56 to tax liability, not including improvements, of a homestead from one tax year to  
57 the next that exceeds a certain percentage set pursuant to subsection 10 of this  
58 section. For applications filed in 2005 or 2006, the homestead exemption limit  
59 shall be based on the increase to tax liability from 2004 to 2005. For applications  
60 filed between April 1, 2005, and September 30, 2006, an eligible owner, who  
61 otherwise satisfied the requirements of this section, shall not apply for the  
62 homestead exemption credit more than once during such period. For applications  
63 filed after 2006, the homestead exemption limit shall be based on the increase to  
64 tax liability from two years prior to application to the year immediately prior to  
65 application;

66 (7) "Income", federal adjusted gross income, and in the case of ownership  
67 of the homestead by trust, the income of the settlor applicant shall be imputed  
68 to the income of the trust for purposes of determining eligibility with regards to  
69 the maximum upper limit;

70 (8) "Maximum upper limit", in the calendar year 2005, the income sum of  
71 seventy thousand dollars; in each successive calendar year this amount shall be  
72 raised by the incremental increase in the general price level, as defined pursuant  
73 to article X, section 17 of the Missouri Constitution.

74 3. Pursuant to article X, section 6(a) of the Constitution of Missouri, if in  
75 the prior tax year, the property tax liability on any parcel of subclass (1) real  
76 property increased by more than the homestead exemption limit, without regard  
77 for any prior credit received due to the provisions of this section, then any eligible  
78 owner of the property shall receive a homestead exemption credit to be applied  
79 in the current tax year property tax liability to offset the prior year increase to  
80 tax liability that exceeds the homestead exemption limit, except as eligibility for  
81 the credit is limited by the provisions of this section. The amount of the credit  
82 shall be listed separately on each taxpayer's tax bill for the current tax year, or  
83 on a document enclosed with the taxpayer's bill. The homestead exemption credit  
84 shall not affect the process of setting the tax rate as required pursuant to article  
85 X, section 22 of the Constitution of Missouri and section 137.073 in any prior,  
86 current, or subsequent tax year.

87 4. If application is made in 2005, any potential eligible owner may apply  
88 for the homestead exemption credit by completing an application through their  
89 local assessor's office. Applications may be completed between April first and  
90 September thirtieth of any tax year in order for the taxpayer to be eligible for the  
91 homestead exemption credit in the tax year next following the calendar year in

92 which the homestead exemption credit application was completed. The  
93 application shall be on forms provided to the assessor's office by the  
94 department. Forms also shall be made available on the department's Internet  
95 site and at all permanent branch offices and all full-time, temporary, or fee offices  
96 maintained by the department of revenue. The applicant shall attest under  
97 penalty of perjury:

98 (1) To the applicant's age;

99 (2) That the applicant's prior year income was less than the maximum  
100 upper limit;

101 (3) To the address of the homestead property; and

102 (4) That any improvements made to the homestead, not made to  
103 accommodate a disabled person, did not total more than five percent of the prior  
104 year appraised value.

105 The applicant shall also include with the application copies of receipts indicating  
106 payment of property tax by the applicant for the homestead property for the two  
107 prior tax years.

108 5. If application is made in 2005, the assessor, upon request for an  
109 application, shall:

110 (1) Certify the parcel number and owner of record as of January first of  
111 the homestead, including verification of the acreage classified as residential on  
112 the assessor's property record card;

113 (2) Obtain appropriate prior tax year levy codes for each homestead from  
114 the county clerks for inclusion on the form;

115 (3) Record on the application the assessed valuation of the homestead for  
116 the current tax year, and any new construction or improvements for the current  
117 tax year; and

118 (4) Sign the application, certifying the accuracy of the assessor's entries.

119 6. If application is made after 2005, any potential eligible owner may  
120 apply for the homestead exemption credit by completing an  
121 application. Applications may be completed between April first and [September  
122 thirtieth] **October fifteenth** of any tax year in order for the taxpayer to be  
123 eligible for the homestead exemption credit in the tax year next following the  
124 calendar year in which the homestead exemption credit application was  
125 completed. The application shall be on forms provided by the department. Forms  
126 also shall be made available on the department's Internet site and at all  
127 permanent branch offices and all full-time, temporary, or fee offices maintained

128 by the department of revenue. The applicant shall attest under penalty of  
129 perjury:

130 (1) To the applicant's age;

131 (2) That the applicant's prior year income was less than the maximum  
132 upper limit;

133 (3) To the address of the homestead property;

134 (4) That any improvements made to the homestead, not made to  
135 accommodate a disabled person, did not total more than five percent of the prior  
136 year appraised value; and

137 (5) The applicant shall also include with the application copies of receipts  
138 indicating payment of property tax by the applicant for the homestead property  
139 for the three prior tax years.

140 7. Each applicant shall send the application to the department by  
141 September thirtieth of each year for the taxpayer to be eligible for the homestead  
142 exemption credit in the tax year next following the calendar year in which the  
143 application was completed.

144 8. If application is made in 2005, upon receipt of the applications, the  
145 department shall calculate the tax liability, adjusted to exclude new construction  
146 or improvements verify compliance with the maximum income limit, verify the  
147 age of the applicants, and make adjustments to these numbers as necessary on  
148 the applications. The department also shall disallow any application where the  
149 applicant has also filed a valid application for the senior citizens property tax  
150 credit, pursuant to sections 135.010 to 135.035, RSMo. Once adjusted tax  
151 liability, age, and income are verified, the director shall determine eligibility for  
152 the credit, and provide a list of all verified eligible owners to the county collectors  
153 or county clerks in counties with a township form of government by December  
154 fifteenth of each year. By January fifteenth, the county collectors or county  
155 clerks in counties with a township form of government shall provide a list to the  
156 department of any verified eligible owners who failed to pay the property tax due  
157 for the tax year that ended immediately prior. Such eligible owners shall be  
158 disqualified from receiving the credit in the current tax year.

159 9. If application is made after 2005, upon receipt of the applications, the  
160 department shall calculate the tax liability, verify compliance with the maximum  
161 income limit, verify the age of the applicants, and make adjustments to these  
162 numbers as necessary on the applications. The department also shall disallow  
163 any application where the applicant also has filed a valid application for the

164 senior citizens property tax credit under sections 135.010 to 135.035,  
165 RSMo. Once adjusted tax liability, age, and income are verified, the director shall  
166 determine eligibility for the credit and provide a list of all verified eligible owners  
167 to the county assessors or county clerks in counties with a township form of  
168 government by December fifteenth of each year. By January fifteenth, the county  
169 assessors shall provide a list to the department of any verified eligible owners  
170 who made improvements not for accommodation of a disability to the homestead  
171 and the dollar amount of the assessed value of such improvements. If the dollar  
172 amount of the assessed value of such improvements totaled more than five  
173 percent of the prior year appraised value, such eligible owners shall be  
174 disqualified from receiving the credit in the current tax year.

175         10. The director shall calculate the level of appropriation necessary to set  
176 the homestead exemption limit at five percent when based on a year of general  
177 reassessment or at two and one-half percent when based on a year without  
178 general reassessment for the homesteads of all verified eligible owners, and  
179 provide such calculation to the speaker of the house of representatives, the  
180 president pro tempore of the senate, and the director of the office of budget and  
181 planning in the office of administration by January thirty-first of each year.

182         11. For applications made in 2005, the general assembly shall make an  
183 appropriation for the funding of the homestead exemption credit that is signed  
184 by the governor, then the director shall, by July thirty-first of such year, set the  
185 homestead exemption limit. The limit shall be a single, statewide percentage  
186 increase to tax liability, rounded to the nearest hundredth of a percent, which, if  
187 applied to all homesteads of verified eligible owners who applied for the  
188 homestead exemption credit in the immediately prior tax year, would cause all  
189 but one-quarter of one percent of the amount of the appropriation, minus any  
190 withholding by the governor, to be distributed during that fiscal year. The  
191 remaining one-quarter of one percent shall be distributed to the county  
192 assessment funds of each county on a proportional basis, based on the number of  
193 eligible owners in each county; such one-quarter percent distribution shall be  
194 delineated in any such appropriation as a separate line item in the total  
195 appropriation. If no appropriation is made by the general assembly during any  
196 tax year or no funds are actually distributed pursuant to any appropriation  
197 therefor, then no homestead preservation credit shall apply in such year.

198         12. After setting the homestead exemption limit for applications made in  
199 2005, the director shall apply the limit to the homestead of each verified eligible

owner and calculate the credit to be associated with each verified eligible owner's homestead, if any. The director shall send a list of those eligible owners who are to receive the homestead exemption credit, including the amount of each credit, the certified parcel number of the homestead, and the address of the homestead property, to the county collectors or county clerks in counties with a township form of government by August thirty-first. Pursuant to such calculation, the director shall instruct the state treasurer as to how to distribute the appropriation and assessment fund allocation to the county collector's funds of each county or the treasurer ex officio collector's fund in counties with a township form of government where recipients of the homestead exemption credit are located, so as to exactly offset each homestead exemption credit being issued, plus the one-quarter of one percent distribution for the county assessment funds. As a result of the appropriation, in no case shall a political subdivision receive more money than it would have received absent the provisions of this section plus the one-quarter of one percent distribution for the county assessment funds. Funds, at the direction of the county collector or the treasurer ex officio collector in counties with a township form of government, shall be deposited in the county collector's fund of a county or the treasurer ex officio collector's fund or may be sent by mail to the collector of a county, or the treasurer ex officio collector in counties with a township form of government, not later than October first in any year a homestead exemption credit is appropriated as a result of this section and shall be distributed as moneys in such funds are commonly distributed from other property tax revenues by the collector of the county or the treasurer ex officio collector of the county in counties with a township form of government, so as to exactly offset each homestead exemption credit being issued. In counties with a township form of government, the county clerk shall provide the treasurer ex officio collector a summary of the homestead exemption credit for each township for the purpose of distributing the total homestead exemption credit to each township collector in a particular county.

13. If, in any given year after 2005, the general assembly shall make an appropriation for the funding of the homestead exemption credit that is signed by the governor, then the director shall, by July thirty-first of such year, set the homestead exemption limit. The limit shall be a single, statewide percentage increase to tax liability, rounded to the nearest hundredth of a percent, which, if applied to all homesteads of verified eligible owners who applied for the homestead exemption credit in the immediately prior tax year, would cause all of the amount of the appropriation, minus any withholding by the governor, to be

237 distributed during that fiscal year. If no appropriation is made by the general  
238 assembly during any tax year or no funds are actually distributed pursuant to  
239 any appropriation therefor, then no homestead preservation credit shall apply in  
240 such year.

241         14. After setting the homestead exemption limit for applications made  
242 after 2005, the director shall apply the limit to the homestead of each verified  
243 eligible owner and calculate the credit to be associated with each verified eligible  
244 owner's homestead, if any. The director shall send a list of those eligible owners  
245 who are to receive the homestead exemption credit, including the amount of each  
246 credit, the certified parcel number of the homestead, and the address of the  
247 homestead property, to the county collectors or county clerks in counties with a  
248 township form of government by August thirty-first. Pursuant to such  
249 calculation, the director shall instruct the state treasurer as to how to distribute  
250 the appropriation to the county collector's fund of each county where recipients  
251 of the homestead exemption credit are located, so as to exactly offset each  
252 homestead exemption credit being issued. As a result of the appropriation, in no  
253 case shall a political subdivision receive more money than it would have received  
254 absent the provisions of this section. Funds, at the direction of the collector of  
255 the county or treasurer ex officio collector in counties with a township form of  
256 government, shall be deposited in the county collector's fund of a county or may  
257 be sent by mail to the collector of a county, or treasurer ex officio collector in  
258 counties with a township form of government, not later than October first in any  
259 year a homestead exemption credit is appropriated as a result of this section and  
260 shall be distributed as moneys in such funds are commonly distributed from other  
261 property tax revenues by the collector of the county or the treasurer ex officio  
262 collector of the county in counties with a township form of government, so as to  
263 exactly offset each homestead exemption credit being issued.

264         15. The department shall promulgate rules for implementation of this  
265 section. Any rule or portion of a rule, as that term is defined in section 536.010,  
266 RSMo, that is created under the authority delegated in this section shall become  
267 effective only if it complies with and is subject to all of the provisions of chapter  
268 536, RSMo, and, if applicable, section 536.028, RSMo. This section and chapter  
269 536, RSMo, are nonseverable and if any of the powers vested with the general  
270 assembly pursuant to chapter 536, RSMo, to review, to delay the effective date,  
271 or to disapprove and annul a rule are subsequently held unconstitutional, then  
272 the grant of rulemaking authority and any rule proposed or adopted after August  
273 28, 2004, shall be invalid and void. Any rule promulgated by the department  
274 shall in no way impact, affect, interrupt, or interfere with the performance of the



275 required statutory duties of any county elected official, more particularly  
276 including the county collector when performing such duties as deemed necessary  
277 for the distribution of any homestead appropriation and the distribution of all  
278 other real and personal property taxes.

279       16. In the event that an eligible owner dies or transfers ownership of the  
280 property after the homestead exemption limit has been set in any given year, but  
281 prior to January first of the year in which the credit would otherwise be applied,  
282 the credit shall be void and any corresponding moneys, pursuant to subsection 12  
283 of this section, shall lapse to the state to be credited to the general revenue fund.  
284 In the event the collector of the county or the treasurer ex officio collector of the  
285 county in counties with a township form of government determines prior to  
286 issuing the credit that the individual is not an eligible owner because the  
287 individual did not pay the prior three years' property tax liability in full, the  
288 credit shall be void and any corresponding moneys, under subsection 11 of this  
289 section, shall lapse to the state to be credited to the general revenue fund.

290       17. This section shall apply to all tax years beginning on or after January  
291 1, 2005. This subsection shall become effective June 28, 2004.

292       18. In accordance with the provisions of sections 23.250 to 23.298, RSMo,  
293 and unless otherwise authorized pursuant to section 23.253, RSMo:

294       (1) Any new program authorized under the provisions of this section shall  
295 automatically sunset six years after the effective date of this section; and

296       (2) This section shall terminate on September first of the year following  
297 the year in which any new program authorized under this section is sunset, and  
298 the revisor of statutes shall designate such sections and this section in a revision  
299 bill for repeal.

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